



16th ANNUAL REPORT

2012-13

SANKHYA INFOTECH LIMITED

REGD. OFFICE: #405 NSIC BUSINESS PARK,

ECIL PO HYDERABAD, AP, INDIA 500062

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COMPANY INFORMATION**OUR VISION**

To be a global leader in providing innovative and cost effective simulation and training technology solutions for the business prosperity and pride ownership of our customers.

BOARD OF DIRECTORS

Mr. N Sridhar	: <i>Chairman & Managing Director</i>
Mr. N Srinivas	: <i>Vice Chairman</i>
Ms. M Kavita Prasad	: <i>Independent Director</i>
CA. C. Anand	: <i>Independent Director</i>

OUR TEAM

Mr. A. Sreenivasa Kumar (*Head Global Services Sales*)
Mr. BSS Srinivasa Rao (*Head of R & D & CTO*)
Brig. Vinay Sagar (*Head Simulation & Virtual Training*)
Ms. Ruksana (*Head of Finance & Accounts*)
Ms. Srividya Jayaraman (*Head of Human Resource Development*)

STATUTORY AUDITORS

M/s. P. Murali & Co
Chartered Accountants
6-3-655/2/3
Somajiguda
Hyderabad - 500 082, INDIA

BANKERS

IDBI Bank Ltd
Main Branch, HYDERABAD

REGISTRARS & TRANSFER AGENTS

CANBANK COMPUTER SERVICES LTD.
JP ROYALE, 1st FLOOR, #218, 2nd Main,
Sampige Road, (Near 14th Cross),
Malleswaram, Bengaluru - 560003
Tel: 91 - 80 - 23469661/62, 23469664/65
Fax: 91 - 80 - 23469667/668
Email: canbank_computer@dataone.in
URL: www.canbankrta.com

**NOTICE**

Notice is hereby given that the 16th Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Saturday 28th-Sept-2013 at 11.00 A.M at its regd office at 405, NSIC EMDBP Building ECIL Hyderabad-500062 to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2013 and Profit & Loss Account for the year ended on that date together with Schedules thereto and the Reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Ms. M.Kavitha Prasad, who retires by rotation, and being eligible offers herself for re-appointment.
3. To appoint M/s. T.R. Chadha & Co. Chartered Accountants as Statutory Auditors of the Company to and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modifications(s), the following resolution as an Ordinary resolution:
"RESOLVED THAT M/s. T.R. Chadha & Co. Chartered Accountants, be and hereby appointed as Auditors of the Company, to hold office till the conclusion of the next annual general meeting of the company on such remuneration as shall be fixed by the Board of Directors.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The instrument appointing proxy should, however, be deposited at the registered office of the Company not later than 48 hours before the scheduled commencement of the meeting.
2. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 21st Sept 2013 to 28th Sept 2013 (both days inclusive).
Members are requested to intimate immediately any change in their address to the Share Transfer Agents
Address: M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, #218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003.
Tel: +91 802 3469661 / 62, 2349664/65
Fax: +91 802 3469667 / 68 and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
4. Members / Proxies are requested to bring the Attendance slip duly filled in
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

6. We wish to inform you that our Company shares have already been admitted in both M/s National Securities Depository Ltd (NSDL) and Central Depository Services India Ltd (CDSL) for the purpose of holding and trading of the shares in electronic mode. The ISIN allotted to M/s Sankhya Infotech Limited is INE877A01013. Members who are holding shares in physical form are advised in their own interest to immediately apply for Dematerialization of their shares to hold the same in an electronic form. In order to dematerialize your shares and convert them into the electronic form, you are requested to open a Beneficiary Account with a Depository Participant (DP) and submit a dematerialization request along with the original share certificate(s) to a DP with whom you open a Beneficiary Account. The DP in turn will send your share certificate(s) to M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003. Tel: +91802 3469661/62, 2349664/65 Fax: +91 802 3469667/68 for dematerialization of shares. Thereafter, you will receive a confirmation from the DP that the shares have been dematerialized and held in the electronic form, subject to meeting the entire statutory requirement for conversion from physical mode to the electronic mode.

Further, as a part of green initiative in the Corporate Governance, the Ministry of Corporate Affairs, vide its Circular No. 17/2011 dated 21st April 2011 has permitted service of notices and documents in electronic mode. Hence, members are requested to register their E-mail ID's with the Company's Registrar and Transfer Agent as per the details given hereunder.

For further clarification, if any, please feel free to write to our Registrar & Share Transfer Agent at the following address:

CANBANK COMPUTER SERVICES LTD.,

Unit: M/s. Sankhya Infotech Ltd
J P ROYALE, 1ST FLOOR, # 218, 2nd Main,
Sampige Road, (Near 14th Cross) ,
Malleswaram, Bengaluru - 560 003.
Tel : 91-80-23469661 / 62, 23469664/ 65
Fax : 91-80-23469667 / 668
Email Id : canbank_computer@dataone.in
URL: www.canbankrta.com

By Order of the Board

N Sridhar
Chairman & Managing Director

Dated: 29th May, 2013

Hyderabad

FINANCIAL DATA AND ANALYSIS

(₹ in Lakhs)

Comparative Income Statement			
Particulars	Actuals	Actuals	Actuals
	FY 2010-11	FY 2011-12	FY 2012-13
Revenues	5,212	7,654	10,571
Growth % of Revenue	28	47	38
Employee Cost	2,551	5,000	6,493
% of sales	49	65	61
Other Expenses	1,191	1,905	2,855
% of sales	23	25	27
EBITDA	1,470	749	1,223
EBITDA Margin%	28	10	12
Depreciation	304	346	480
PBIT	1,166	403	743
Interest Expenses	391	298	401
PBT from Operations	774	105	342
Other Non Operating Income	9	49	(330)
PBT from Operations	784	154	12
PBT Margin%	15	2	0
Provision for Tax	156	81	6
PAT	627	73	6
Adj for Extraordinary items	11	-	-
Adjusted PAT	616	73	6
Net profit Margin%	12	1	0

(₹ in Lakhs)

Comparative Balance Sheet			
Particulars	Actuals	Actuals	Actuals
	FY 2010-11	FY 2011-12	FY 2012-13
Share Capital	850	1,125	1,125
Reserves	4,920	5,683	5,689
Share application money allotment	402	-	-
Shareholders fund	6,172	6,807	6,813
Debt	2,063	775	950
Other liabilities	1,288	2,695	2,792
Total Capital Employed	9,522	10,277	10,555
Non current Assets			
Fixed Assets			
Tangible	86	78	65
Intangible	3,379	4,247	4,368
Net Fixed Assets/Net Block after accumulated dep	3,464	4,325	4,434
Capital work in progress	633	696	696
Non-current Investments	58	58	58
Long Term Loans and Advances	630	598	605
	1,322	1,352	1,359
Current Assets			
Debtors	2,290	3,404	3,980
Cash & Bank Balances	152	265	23
Other Current Assets	2,294	836	755
Short term loans and advances	0	95	4
Total Assets	9,522	10,277	10,555

(₹ in Lakhs)

Comparative Cash Flow statement			
Particulars	Actuals	Actuals	Actuals
	FY 2010-11	FY 2011-12	FY 2012-13
Cash flow from operations			
Profit after tax	616.08	73.31	6.05
Depredation	303.68	345.97	479.89
Interest expenses	391.48	298.34	385.02
OP profit before WC changes	1,311.25	717.62	870.96
Working capital adjustment	339.75	(260.67)	(464.21)
Cash from operations	1,651.00	456.95	406.74
Cash flow from investing			
Capex	(1,380.94)	(1,206.58)	(588.56)
CWIP	(101.00)	(62.69)	-
Investment	-	-	-
Cash from investment	(1,481.94)	(1,269.27)	(588.56)
Cash flow from financing			
Interest paid	(391.48)	(298.34)	(385.02)
Other financing	357.68	1,223.60	324.67
Cash from financing activities	(3.81)	925.27	(60.35)
Opening Cash & cash equivalents	16.94	152.19	265.14
Net cash increase/Dec	135.25	112.94	(242.16)
Closing cash & Cash Equivalents	152.19	265.14	22.97

Comparative Key Ratios			
Particulars	Actuals	Actuals	Actuals
	FY 2010-11	FY 2011-12	FY 2012-13
Margin Ratios (%)			
EBITDA Margin	28.20	9.79	11.57
PBIT Margin	22.37	5.27	7.03
PBT Margin	15.03	2.01	0.11
PAT Margin	11.82	0.96	0.06
Growth Ratios (%)			
Revenues	27.80	47.82	38.11
EBITDA	67.69	-49.03	26.29
Net profit	125.15	-88.1	-91.75
Return Ratios (%)			
ROCE	15.43	7.29	11.59
ROIC	13.79	6.50	11.53
Reported EPS	7.25	0.65	0.05
Solvency Ratios			
Total Debt/ Equity%	0.4	0.3	0.4

DIRECTOR'S REPORT

Dear Shareholders,

Your directors are pleased to present 16th Annual Report and Audited accounts for the financial year ending 2012-13. The current year has seen a strong growth in terms of topline with 38% growth in sales, however, margins were stressed due to continued onsite costs, and write-off recommended by the auditors to a tune of Rs.2.77 crores.

(₹ in Lakhs)

FINANCIAL HIGHLIGHTS	2012-13	2011-12
Income from Operations	10571.08	7654.03
Other Income	-52.84	49.49
Total Income	10518.24	7703.52
Total Expenditure	9625.17	6895.27
Earnings before Depreciation, Interest & Tax	893.07	808.25
Depreciation	479.89	345.97
Interest	401.09	308.08
Profit Before Tax	12.09	154.2
Provision for Tax including (FBT)	2.30	30.85
Other Provisions	3.74	50.03
Profit after Tax	6.05	73.31
Earnings Per Share	0.05	0.65

BUSINESS OPERATIONS

Your company embarked on services sales as planned last year and the results have been good. The company has won a large World Bank contract against stiff international competition. The company has expanded its business in the banking industry by winning contracts from Union Bank and Andhra Bank. Today nearly, 52% of all bank employees of the country use your company's online learning systems.

Your company has strengthened simulation business by adding non-defense customers, especially in the area of transportation, energy, manufacturing and medical simulation. Defense related business simulation has also expanded and the company has been able to add new customers in both overseas and domestic market.

OUTLOOK

Your company continues to serve major airframe manufacturers around the globe, and with the worst situations for airline industry ending the company foresees major expansion in this area.

Your company's collaboration with IT majors such as IBM, Microsoft to expand its operations in BFSI and education sector is likely to add tremendous opportunity in the future.

PREFERENTIAL ALLOTMENT

The board during its meeting held on 11-02-2013 has approved to issue 14,75,400 shares on preferential basis to the promoters as per the rules and regulations under SEBI(DIP) guidelines.

Subsequently this issue has not been taken up for further process due to prevailing market conditions.

SUBSIDIARY COMPANIES

The financial details of the subsidiary companies as well as the extent of holding therein are provided in a separate section of the Annual Report at Annexure 1:

Under section 212(8) of the Companies Act, 1956 the ministry of Corporate Affairs has exempted from attaching a copy of the Balance Sheet, Profit and loss accounts and schedules thereof, Director's Report and Auditors Report of the subsidiary companies and other documents required to be attached under section 212(1) of the act to the balance sheet of the company. Accordingly the said documents are not attached with the Balance Sheet of the Company. The Annual Accounts of the subsidiary Companies are available for inspection by any member / investor and the Company will make available these documents / details upon request by any member of the Company or its subsidiaries interested in obtaining the same. However the data of the subsidiaries has been furnished along with the statement pursuant to Section 212 of the Companies Act, 1956 forming part of the Annual Report. Further pursuant to Accounting Standard (AS)-21 issued by the Institute of Chartered Accountants of India, your company has presented the Consolidated Financial Statements which include financial information relating to its subsidiaries and forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards 21, 23 & 27 issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements together with Auditors' Report thereon forms part of the Annual Report.

DEPOSITS

The Company has not accepted any Deposits from the Public during the year pursuant to Section 58A of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures from the same.
2. Directors have selected the appropriate Accounting Policies and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2013, and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

THE BOARD OF DIRECTORS

Mrs.Kavita Prasad is retiring by rotation at the AGM and is offering herself for re-appointment.

AUDITORS

Your company proposed to appoint M/s T.R. Chadha & Co., Chartered Accountants, for the current financial year. The board records its deepest appreciation to M/s.P.Murali & Co. for the excellent services they have rendered during the previous four years. As a prudent practice, the company has been rotating Auditors every 4 years. The same was done in the previous occasions also.

CONSERVATION OF ENERGY & ABSORPTION.

- I. Conservation of energy your company's operations are software oriented and not energy intensive. Adequate measures are taken to conserve energy wherever possible.

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to the provision of clause 49 of the listing agreement, a report on Management Discussion & Analysis is enclosed as Annexure 2 to this report.

CMD's DECLARATION

Pursuant to the provision of clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Chairman & Managing Director of the company declaring that all the members of the Board and the senior Management personnel of the company have affirmed compliance with the code of conduct of the company, is enclosed as Annexure 3 of this report.

CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with the stock exchanges, a separate report on Corporate Governance is enclosed as Annexure 4 forming part of the Annual Report

A certificate from a firm of Chartered Accountant in whole time practice confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this report as Annexure 5.

PARTICULARS OF EMPLOYEES

"No Employee of the company was in receipt of remuneration during the financial year 2012-13 in excess of the sum prescribed under section 217(2A) of the companies Act, 1956 read with the companies (Particulars of Employees) Rule, 1975."

INDUSTRIAL RELATIONS

Your company enjoys cordial employee relations, marked by empowerment and delegation.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the unstinted support extended by the esteemed Customers, Bankers and Institutions.

Your Directors also are pleased to record their appreciation for the services rendered by the employees at all levels in bringing about a better performance.

Your directors express thanks to the Company's Shareholders, and the Investors for their sustained confidence in the Management of the Company.

Place: Hyderabad

Date : 29th May, 2013

By Order of the Board
N Sridhar

Chairman & Managing Director

Annexure: 1**(Amount in ₹)**

Sl. No	Particulars	1	2	3
1	Name of Subsidiary	Sankhya SARL, France	Mahasena Information Technologies (India) Private Limited (MITPL)	Sankhya US Corporation
2	Financial year end	31 st March, 2013	31 st March, 2013	31 st March, 2013
3	Extent of interest of the Holding Company in the capital of the Subsidiary.	100%	100%	100%
4	Date from which it became a subsidiary	13 th April 2005	01 st May 2006	17 th August 2006
5	Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts.			
	Current year	(42700)	(561)	(57550)
	Previous year	(71140)	(6618)	(56250)
6	Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts:			
	Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

Annexure: 2**MANAGEMENT'S DISCUSSION & ANALYSIS****BUSINESS OUTLOOK**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by SEBI, and Indian GAAP. There is a rapid change in the business conditions for Software Industry during the past one year. Many organizations are recognizing the potential of eLearning, and are putting best methods and practices for implementing eLearning solutions.

Your company is proud to share that its eLearning solutions are used by nearly more than 50% of all bank employees of the nation. Nearly 500,000 users in BFSI segment alone use your company's eLearning applications.

With a rich repository of over 9,000 hours of courseware covering a wide spectrum of industry, your company has large intangible assets of courseware.

Every industry is demanding highly skilled professionals. Corporations therefore paying special attention towards increasing skills and knowledge of their employees. Your company has therefore an ever-expanding business opportunity both in product and services segment.

AWARDS & RECOGNITIONS

Your company has registered the first overseas sales for its simulation product and has successfully implemented the Advance Weapons Training System for an overseas Army requirement.

RISK

Your company is majorly operating in government entities where payments are not received on time thus posing a risk of cash crunch in many cases.

Global uncertainty in Europe also poses risk since your company's operations are in France.

The vast fluctuation in the foreign currency mainly Dollar poses risk on foreign currency earnings.

COMPETITION

Your Company's software products and solutions have been recognised as one of the best training software available today by many renowned agencies. These products are serving world's top fortune 500 companies since years and will continue to do the same. The R&D staffs at your company are dedicated to continuously enhance the capabilities of software and fulfil the global demands. Your company is also under developing phase of new software solutions that will provide new benchmarks in the field of e-learning and simulation.

INTERNAL CONTROLS

The Company has adequate internal control mechanism at all levels of the organisation.

HUMAN RESOURCES

Your company has added several highly qualified professionals who have worked in prestigious organisation around the world. The Board conveys its sincere appreciation for the excellent efforts put in by the employees despite the challenges faced by the Company.

Annexure: 3**REPORT ON CORPORATE GOVERNANCE****(A) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

At Sankhya, corporate governance practices are based on the principles of integrity, transparency, fairness, independent monitoring and adequate disclosure of the state of affairs of the company. Adoption of such governance practice ensures accountability of the person in charge of the Company at the highest levels and benefits not just the investors, but also the Company's customers, creditors, employees and society at large. It is the Company's philosophy and strong belief that adhering to such high level of corporate governance practices go a long way in establishing the credibility of the Company and creates significant long term value for its stakeholders.

The company's activities are carried out in accordance with good corporate practices and the company is constantly striving to better them and adopt the best practices. It is firmly believed that good corporate governance practices would ensure efficient conduct of the affairs of the company and help the company, achieve its goal of maximising value for all its stakeholders. The Company maintains highest business ethics and complies with all statutory and regulatory requirements. In India, Corporate Governance standards for listed companies are regulated by Securities and Exchange board of India through clause 49 of the listing agreement of the Stock Exchange. The Company is in compliance with all the requirements of the corporate governance code as enshrined in Clause 49 of the listing agreement. All the relevant standards have been fully adhered to.

(B) BOARD OF DIRECTORS

The company is managed by the Board of Directors, who formulates strategies, policies and reviews its performance periodically and manages the business of the company. The Board of Directors of the Company promotes the success of the company for the benefit of its members as a whole a director regards in fulfilling the duty to promote success. The directors monitor the likely consequences of any decision in the long term in the interest of the company's employees, suppliers, customers, shareholders and other to foster the company's business relationships with them and impact of the company's operations on the community and the environment with the desirability of the company maintain a reputation for high standards of business conduct, and the need to act fairly as between members of a company.

Mr. N Sridhar CMD of the Company and Mr. N. Srinivas, Vice-Chairman of the Company, Executive Directors of the Company, are fully dedicated to ensure growth of the company.

COMPOSITION OF THE BOARD

The composition of the Board is conformity with Clause 49 of the listing Agreement, as amended from time to time. The company is a promoter and the number of Non-Executive Independent Director is more than one-half of the total number of Directors.

Currently, the Company's Board comprises of five Directors including the Managing Director. The Chairman is an Executive Director and is a professional Director in his individual capacity. There are three Independent, Non-Executive Directors and professionals, with expertise and experience in their individual allied fields.

FOUR (4) Board Meetings were held during the year 2012-13 (i.e., from 1st April, 2012 to 31st March, 2013) (1) 30th May, 2012 (2) 30th August, 2012 (3) 10th Nov, 2012 (4) 11th Feb, 2013.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies are given herein below:

Name & Designation	Category	No of Meetings held during the Last Financial Year	No of Meetings attended	Attendance at the Last Annual General Meeting held on 29.09.2012	No of Directorships in other public companies		No of Committee positions held in other public Companies @	
					Chairman	Member	Chairman	Member
N SRIDHAR Chairman & Managing Director	WTD	4	3	YES	NIL	NIL	NIL	NIL
N SRINIVAS Vice -Chairman	WTD	4	4	YES	NIL	NIL	NIL	NIL
KAVITA PRASAD Director	NED-I	4	3	NO	NIL	5	1	1
MAHESH BHANDARI *	NED-I	4	0	NO	NIL	NIL	NIL	NIL
Director								
C.ANAND Director	NED-I	4	4	NO	NIL	NIL	NIL	NIL

NED-Non Executive Director, **WTD**-Whole Time Director, **NED-I**-Non Executive Director- Independent.

Notes:

- The directorships held by the directors, as mentioned above do not include the directorships held in foreign companies and companies under Section-25 of the Companies Act, 1956.
- The committees considered for the purpose are those prescribed under Clause 49(I)(C)(ii) of the Listing Agreement(s) viz. audit committee and shareholders/ investors grievance committee of public limited companies and private limited companies which are public limited companies in terms of section 3(1)(iv)(c) of the Companies Act, 1956
- Except Mr. N. Sridhar and Mr. N. Srinivas, who are relatives (Mr. N. Sridhar is Brother of Mr. N. Srinivas) and promoter directors, none of the directors are relatives of any other director.

BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, The Managing Director apprises the Board at every meeting of the overall performance of the Company. A detailed functional report is also placed at Board Meetings.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The Board also reviews major legal issues, minutes of the Board Meetings of the Company's subsidiary companies, significant transactions and arrangements entered into by the subsidiary companies, adoption of financial results, transactions pertaining to purchase or disposal of properties, major accounting provisions and write-offs, corporate restructuring, minutes of meetings of the Audit and other Committees of the Board, and information on recruitment of officers just below the Board level, including the Company Secretary and the Compliance Officer.

PROMOTERS AND BOARD OF DIRECTORS PROFILE

Mr. N. Sridhar, Chairman and Managing Director: Technocrat business man with a Master's degree in Computer Science and 28 years of experience in the Software Industry, Mr. Sridhar has been one of the founding members of Sankhya InfoTech Ltd.

Mr. N. Srinivas, Vice Chairman: He is one of the founding members of Sankhya with a Master's degree in Commerce and a professional qualification of ICWA, and an overall experience 30 years industry of which 26 years in the Software Industry.

Independent Board of Directors:

Ms. Kavita Prasad(Director in HBL): She is a Graduate in Commerce from Osmania University and Postgraduate diploma holder in computer application. She became a director in HBL Limited in the year 1995. She has been looking after the exports Market and Finance of the HBL Power Systems Limited, presently servicing as Whole Time Director.

CA. C Anand: He holds a Bachelor Degree from Osmania University. He is a practicing Chartered Accountant for the last 21 years with extensive experience in the fields of Audit, Taxation and Finance.

CODE OF CONDUCT

The Company has established a Code of Conduct for its Board Members and Senior Management personnel. The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's Website www.sankhya.net. The Board Members and Senior Management personnel have complied with the same.

(C) AUDIT COMMITTEE

The Board of Directors of the Company has re- constituted the Audit Committee on 1st October 2010. The Terms of reference of the Audit Committee covers the matters specified for Audit Committees under clause 49 of the Listing agreement and also as required under Section 292A of the Companies Act, 1956. The Audit Committee comprises of the following members

1. C.A.C.Anand - Independent Director & Chairman
2. Ms.Kavita Prasad - Independent Director & Member
3. Mr. N. Srinivas - Member

The Statutory Auditors are also the invitee to the meetings. During the year under review (i.e., from 1st April, 2012 to 31st March, 2013), the Committee met 4 times on 30th May 2012, 30th Aug, 2012, Nov 10th, 2012 & 11th Feb, 2013.

All the Members of the Committee possess strong accounting and financial management knowledge. The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to inter alia review the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II (D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II (C). The Meetings of the Audit Committee are also attended by the Chairman & Managing Director.

SUBSIDIARY COMPANIES

The Company has following subsidiaries:

1. Sankhya SARL, France.
2. Sankhya US Corporation, USA;
3. Mahasena Info Technologies (India) Private Limited

The Audit Committee reviews the financial statements of the Subsidiaries M/s Sankhya SARL, France, M/s Sankhya US Corporation and M/s Mahasena Info Technologies (India) Pvt Ltd.

(D) REMUNERATION COMMITTEE REMUNERATION POLICY

While deciding on the remuneration for Directors, the Board, and Remuneration Committee (Committee) considers the performance of the Company, the current trends in industry, the qualification of the appointee(s), their experience, past performance and other relevant factors. The Board / Committee regularly keep track of the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) to its Managing Director and Executive Directors. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and are effective April 1, each year. The Remuneration Committee decides on the commission payable to the Managing Director and the Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956, based on the performance of the Company as well as that of the Managing Director and each Executive Director.

During the year, 2012-13, the Company paid Sitting Fees of Rupees seventy thousand only to its Non-Executive Directors for attending meetings of the Board and meetings of Committees of the Board. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

COMPOSITION OF REMUNERATION COMMITTEE

The Company reconstituted the Remuneration Committee on 1st October 2010 consisting of the following Independent Non-Executive Directors:

- CA. C.Anand- Chairman
- Ms. Kavita Prasad - Member

Details of Remuneration paid to all the Directors during the year 2012-13

(Amount in ₹)

Name & Designation	Category	Salary	Allowance / Perquisites	Commission	Total
Mr. N SRIDHAR Chairman & Managing Director	WTD	36,00,000	--	--	36,00,000
Mr. N SRINIVAS Vice -Chairman	WTD	36,00,000	--	--	36,00,000